

**Before the  
Public Service Commission of South Carolina**

**Docket No. 2009-4-G**

**Annual Review of Purchased Gas Adjustment  
and Gas Purchasing Policies of  
Piedmont Natural Gas Company, Inc.**

**Testimony and Exhibits  
of  
Robert L. Thornton**

**On Behalf Of  
Piedmont Natural Gas Company, Inc.**



June 11, 2009

1 **Q. Please state your name and business address.**

2 A. My name is Robert L. Thornton. My business address is 4720 Piedmont Row  
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with Piedmont**  
5 **Natural Gas Company ("Piedmont")?**

6 A. I am employed as Director of Gas and Regulatory Accounting.

7 **Q. Please briefly describe your education and experience.**

8 A. I received a B.S. degree from The College of Charleston in 1984. In 1985, I  
9 was employed by Duke Power Company as a staff accountant. In 1990 I was  
10 employed by Ingersoll-Dresser Pump Company as Controller. In 1994, I was  
11 employed by Public Service Company of North Carolina, Inc. ("PSNC"), as a  
12 Senior Financial Accountant and was promoted to Director – Investor Relations  
13 and Financial Projects in 1998. After PSNC was acquired by SCANA  
14 Corporation, I was employed by Cox Technologies in 2000 as Controller and  
15 Assistant Treasurer. In 2004, I was employed by HSBC Mortgage Corp. as  
16 Manager of Regulatory and Investor Reporting. I was employed by Piedmont  
17 Natural Gas Company, Inc. ("Piedmont") in 2007 as Manager of Gas  
18 Accounting. I was promoted to Director of Gas and Regulatory Accounting in  
19 February 2008.

20 **Q. Please describe your responsibilities as Director of Gas and Regulatory**  
21 **Accounting.**

22 A. My responsibilities include: recording the cost of gas on Piedmont's books,  
23 maintaining a proper match of revenues and cost of gas in Piedmont's income  
24 statements, recording Piedmont's margin in accordance with regulatory

1 requirements in each of the three state jurisdictions in which Piedmont  
2 operates, verifying volumes and prices on all invoices relating to the purchase  
3 and transportation of natural gas, and recording gas inventory accounts and  
4 deferred accounts. I am also responsible for the middle office functions related  
5 to the experimental hedging program implemented in South Carolina pursuant  
6 to Commission Order No. 2002-223 dated March 26, 2002.

7 **Q. Have you previously testified before this Commission or any other**  
8 **regulatory authority?**

9 A. Yes. I previously testified before the Public Service Commission of South  
10 Carolina and the North Carolina Utilities Commission on several occasions.

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony in this proceeding is to report to the Commission  
13 Piedmont's end-of-period balances and accounting in its deferred accounts in  
14 order to permit the Commission to determine that Piedmont's true-up  
15 procedures for the review period have resulted in a properly stated cost of gas  
16 and that Piedmont's gas costs are properly recorded in compliance with  
17 Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

18 **Q. Before you do that, did you make any changes to the Company's Deferred**  
19 **Account No. 253.04 related to prior years?**

20 A. Yes. After my staff had evaluated the gas costs recorded for the periods  
21 November 2006 through March 2008, and after the most recent annual review

1 in Docket No. 2008-004-G, it was determined that the balance in the Gas Costs  
2 Payable account on the balance sheet was not properly stated. Although a  
3 significant portion of the variance was eliminated during the evaluation of the  
4 gas costs for the periods November 2006 through March 2008, the account was  
5 still out of balance with the supporting reconciliation schedules. Upon further  
6 research, it was determined that the out of balance condition was a result of two  
7 invoices improperly recorded in November 2005 and December 2005 and the  
8 recording of cash-out transactions during the period from May 2006 through  
9 October 2006. It is important to note that the time periods for these  
10 adjustments were outside of the periods that the Company had previously  
11 reviewed and adjusted the Cost of Gas files. The result of this adjustment to  
12 the deferred account balance was an increase of \$490,879.06, which was  
13 recorded in March 2009. The Company also recorded adjustments related to  
14 corrections made to the annual Lost and Unaccounted For true-up mechanism  
15 for 2006 and 2007. These adjustments were related to the Company not  
16 including the restated sales volumes for the months of June 2006 and July 2006  
17 in the 2006 Lost and Unaccounted For true-up and another adjustment for the  
18 2006 and 2007 annual Lost and Unaccounted For true-up related to the  
19 allocation of the combined Carolinas system lost and unaccounted for volumes.  
20 The result of these adjustments to the deferred account balance was a decrease  
21 of \$1,362,907, including interest. Additionally, there was an adjustment related

1 to the correction of an error recorded in April 2008 related to the reversal of  
2 prior month imbalances for March 2008. The result of this adjustment was an  
3 increase of \$39,843.64 to the deferred account balance. A summary of the  
4 review period activity in the deferred account is attached hereto as  
5 Exhibit\_\_(RLT-1).

6 **Q. Has the Office of Regulatory Staff reviewed Piedmont's adjustments to**  
7 **the Deferred Account No. 253.04?**

8 A. Yes. The Company communicated with the ORS audit staff that changes had  
9 been made to the Deferred Account No. 253.04 related to the gas costs  
10 accounts payable balance and the LAUF true-ups. The Company provided the  
11 ORS audit staff all the necessary revised deferred account reports, supporting  
12 schedules and adjusted cost of gas files for the ORS audit staff to review. The  
13 ORS audit staff reviewed the workpapers and detailed supporting  
14 documentation that support the adjusted Deferred Account No. 253.04. It is  
15 my understanding that both the ORS audit staff and the Company agree with  
16 the adjustments to the Deferred Account No. 253.04.

17 **Q. Does the Company also maintain a hedging deferred account?**

18 A. Yes. Effective April 1, 2002, Piedmont implemented an experimental natural  
19 gas hedging program pursuant to Commission Order No. 2002-223. Pursuant to  
20 this program, Piedmont maintains a Hedging Deferred Account in which it  
21 records the results of its hedging activities undertaken in accordance with its

1 hedging plan. The audit staff of the Office of Regulatory Staff has also  
2 conducted a detailed review of the activity in this account and the detailed  
3 accounting data supporting that activity. A summary of the review period  
4 activity in Piedmont's Hedging Deferred Account is attached hereto as  
5 Exhibit\_\_(RLT-2).

6 **Q. Does this conclude your testimony?**

7 A. Yes.

# **EXHIBIT\_\_(RLT-1)**

Piedmont Natural Gas Co., Inc. - South Carolina  
Gas Cost Deferred Account Activity  
Annual Prudence Review - Docket No. 2009-4-G  
12 Months Ended March 31, 2009  
**Debits (Credits)**

Exhibit (RL T-1)

Reporting Month ==>	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	Totals
Gas Flow Month ==>	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Totals
Beginning Balance	8,936,405.42	8,598,712.21	9,574,323.46	7,820,135.54	10,315,384.43	13,878,344.84	15,796,312.41	24,110,526.13	20,114,926.82	19,846,695.92	22,462,997.54	25,156,210.51	(4,533,262.16)
Billed vs. Filed (Commodity) TU	382,735.36	1,102,042.11	687,897.88	837,013.75	(773,034.94)	(1,086,472.55)	(710,869.54)	(2,918,045.83)	(2,038,600.74)	23,202.65	106,092.87	(145,223.18)	(4,533,262.16)
Demand True-Up	323,802.63	1,057,428.01	1,198,142.79	1,274,051.48	1,303,536.21	1,245,077.75	1,262,412.66	88,646.65	(1,718,277.84)	(1,619,640.47)	(2,286,916.65)	(1,446,661.76)	681,601.46
Negotiated Losses	43,797.54	11,740.69	21,937.73	20,005.23	117,540.08	135,819.47	58,207.82	241,018.73	186,972.37	172,891.48	130,349.16	146,885.75	1,287,166.05
Capacity Release Credits	(257,653.24)	(245,164.09)	(354,799.47)	(252,160.34)	(272,314.05)	(249,079.29)	(219,458.29)	(1,223,850.55)	(98,885.00)	(123,634.79)	(93,387.92)	(111,174.86)	(3,501,561.89)
SC Portion of Off System Sales Revenue	(5,089,942.55)	(6,423,272.89)	(7,300,796.39)	(5,881,106.91)	(3,829,333.17)	(1,746,266.45)	(1,823,103.59)	(2,929,207.12)	(2,134,001.75)	(2,461,961.00)	(2,869,759.99)	(1,586,437.18)	(44,075,192.99)
SC Portion of Off System Sales Costs	4,862,315.35	6,281,517.98	6,931,311.52	5,810,807.83	3,742,035.25	1,734,021.54	1,786,053.53	2,767,542.56	2,001,930.19	2,076,209.79	2,602,317.95	1,486,658.06	42,082,721.55
WNA (includes adjustment)	(239.92)	(654.09)	1,532.93	3,394.85	151.62	0.01	(53.94)	(251,130.27)	(977,478.77)	1,784,120.22	353,754.71	(11,593.70)	901,803.65
LAUF	-	-	-	-	-	(2,067,712.40)	-	-	-	-	-	-	(2,067,712.40)
SC - Uncollectibles	86,365.79	108,213.37	171,714.44	204,143.00	138,761.22	48,426.27	31,344.67	(9,526.40)	(11,230.71)	(5,570.68)	3,601.12	105,466.43	871,708.52
Supplier Refunds	-	(195,488.63)	(2,640,203.88)	(322.54)	-	(182,534.62)	(22,248.94)	(674.34)	-	-	-	-	(3,041,472.95)
Monthly Hedging Gain (Loss) Transfer	(779,713.17)	(773,601.75)	(521,509.77)	426,683.10	3,065,258.36	4,000,388.46	7,835,872.89	111,011.48	4,405,125.58	2,647,640.03	4,608,676.28	1,323,758.99	26,349,590.48
Other Adjustments	A 39,843.64	-	-	-	-	-	-	-	-	-	-	B 490,879.06	530,722.70
Ending Balance Before Interest	8,547,716.85	9,521,472.92	7,769,549.24	10,262,642.99	13,807,985.01	15,710,013.03	23,994,469.68	19,986,311.04	19,730,480.15	22,339,953.15	25,017,725.07	25,408,768.12	-
Interest	50,995.36	52,850.54	50,586.30	52,741.44	70,359.83	86,299.38	116,056.45	128,615.78	116,215.77	123,044.39	138,485.44	147,481.19	1,133,731.87
Ending Balance (Actuals only)	8,598,712.21	9,574,323.46	7,820,135.54	10,315,384.43	13,878,344.84	15,796,312.41	24,110,526.13	20,114,926.82	19,846,695.92	22,462,997.54	25,156,210.51	25,556,249.31	-

Monthly Interest Rate 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00% 7.00%

A March 2008 cost of gas correction due to a reversed sign in Transco imbalance P/M reversal \$  
B Correction to Gas Costs Accounts Payable



# **EXHIBIT\_\_(RLT-2)**

**Piedmont Natural Gas Company, Inc. - South Carolina**  
**Hedging Account Activity**  
**Annual Prudence Review - Docket No. 2009-4-G**  
**12 Months Ended March 31, 2009**  
**Debits (Credits)**

Exhibit\_\_ (RLT-2)

	Beginning Balance	Net Options Premium	Fees 1	Margin Requirement (P&L Cash Act)	Consultant Fees	Proceeds from positions	Fees 2	Interest from brokerage acct.	Other Monthly Fee	Monthly Gain / (Loss) Transfer
Apr-08	\$ -	-	-	-	790.50	(781,645.40)	1,085.00	(2.87)	59.60	(779,713.17)
May-08	\$ -	-	-	-	-	(774,640.00)	1,023.00	(44.35)	59.60	(773,601.75)
Jun-08	\$ -	323,070.00	1,472.50		395.25	(847,330.00)	837.00	(14.12)	59.60	(521,509.77)
Jul-08	\$ -	493,270.00	1,937.50	14,819.24	790.50	(84,710.00)	527.00	(10.74)	59.60	426,683.10
Aug-08	\$ -	2,100,000.00	17,282.50	947,916.26	-	-	-	-	59.60	3,065,258.36
Sep-08	\$ -	1,972,310.00	17,949.00	2,010,077.00	395.25	-	-	(368.19)	25.40	4,000,388.46
Oct-08	\$ -	2,532,190.00	22,211.50	4,534,264.00	395.25	746,540.00	1,891.00	(1,678.46)	59.60	7,835,872.89
Nov-08	\$ -	93,000.00	930.00	(548,718.50)	395.25	565,010.00	2,449.00	(2,113.87)	59.60	111,011.48
Dec-08	\$ -	-	-	3,335,293.00	395.25	1,067,560.00	2,697.00	(879.27)	59.60	4,405,125.58
Jan-09	\$ -	84,875.00	341.00	86,081.00	395.25	2,470,810.00	5,223.50	(140.96)	55.24	2,947,640.03
Feb-09	\$ -	19,600.00	248.00	2,514,088.00	395.25	2,074,740.00	-	(436.81)	41.84	4,608,676.28
Mar-09	\$ -	-	-	(389,145.00)	395.25	1,711,500.00	1,891.00	(924.10)	41.84	1,323,758.99
Activity Totals		7,618,315.00	62,372.00	12,504,675.00	4,743.00	6,147,834.60	17,623.50	(6,613.74)	641.12	26,349,590.48

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Testimony and Exhibits of Robert L. Thornton* is being served this date via email and UPS Overnight (5 copies) upon:

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And that a copy of the attached *Testimony and Exhibits of Robert L. Thornton* is being served this date via email and U.S. Mail upon:

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This the 11th day of June, 2009.

s/ James H. Jeffries IV  
James H. Jeffries IV